



**Local Government Engineering Department
Sunamganj Community Based Resource Management Project
Sunamganj**



9th

Internal Audit Report of Credit Organizations

Period: January to December'2011

**Audited by
Independent Internal Audit Team
CBRMP-LGED**

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1.

This is the 9th internal audit report of Credit Organizations (COs). The audit is carried out on yearly basis to examine the financial and some other critical performances of COs. The period covers by this audit is from January 2011 to 31 December 2011, and it was conducted during February 2012. A team of 9 members comprising Upazila and PMU staff (see annex 1) from CBRMP conducted the audit in assistance of the President and Managers from concerned COs. During audit COs' books and records were checked and information recorded in prescribed data collection sheet. For verification, information was compared with bank statement as well as with other documents where necessary.

The internal audit has audited 150 COs formed by 31 July 2010 in three Upazilas - Deraï, Dowarabazar and Dharmapasha.

The internal audit, along with others, has an added role in CO graduation. It makes the process for Final Account of graduating group easy. From July '11 to June'12 final accounts of 939 graduating COs have been completed of which 199 are male

and 740 are female. A total of 2704 COs have been graduated successfully meeting all the financial compliances in a very transparent manner. An amount of Tk. 12,33,38,822/- has been distributed among 62870 members being their savings and other benefit earned over the time from interest earning on personal savings, project credit line and demonstration loan.

In summary, according to the audit findings it may be stated that the savings accumulation of most of the COs is found satisfactory. More than 77 percent COs are fully able to maintain their all records properly; attendance of 45 percent COs is more than 90 percent; more than 97 percent COs are able to conduct their meeting independently; during audit period Savings loan recovery rate was 95% and Project loan recovery rate was 100%. Getting closer to completing the graduation it is found due to some persistent willful defaults the rate of recovery has fallen down particularly in project loan. However, the project is quite aware of that and necessary preparations including peer group pressure, legal measures and so on are being taken on case by case basis. The capacity as well as the skill of the CO leaders have reasonably improved and resulted in better management of COs.

Project has introduced SHE software, a MIS particularly designed for data management of self-help group, to bring integrity in CO data management. It has gone in operation on piloting basis at all project's upazilas. In data collection and report producing it makes the process more systematic, prompt and transparent.

Findings:

The Performance of COs, Recommendations by the audit and the Management Responses are being discussed in the following sections in brief.

The audit has commented on the performances mostly comparing with the last year audit performances of COs, if not they are new COs. For the new COs some benchmarks were considered to assess their performances and that were set based on the age of COs.

Finding 1.1: On record keeping and weekly meeting

Table 1 CO performance

Maintaining of books & record (N=150)			Attendance above 90% (CO nos.)	Conducting weekly meeting (N= 1509)		
Fully maintained	Partially maintained	Unable to maintain		Fully able to conduct	Not fully able to conduct	Unable to conduct
1	2	3	4	5	6	7
116	34	0	68	146	4	0
77%	23%	-	45%	97%	3%	-

CO performance in terms of maintaining the books and records independently has improved. More than 77% COs are found fully able to maintain the books and records properly, and 23% lack that skill substantially.

Meeting attendance has improved, 45% COs are at above 90% attendance.

In conducting meeting the performance has also improved. 97% COs are found able to conduct the meeting independently.

Recommendation

A case by case assessment will have to be undertaken to understand the weakness of COs at different areas.

Finding 1.2: Own savings status of CO

Table 2 Own Savings performance

Sl. No.	Project	Savings accumulation		
		Collection (Tk)	Deposited (Tk)	Cash in hand (TK)
1	2	3	4	5
1	Project Total (3 Upazilas)	7353702	6889192	464510

94 % savings has been deposited to bank A/C in time and total cash in hand is Tk. 464,510 with 144 COs. In 88 COs the cash in hand is found from 1200 to Tk. 5000 amounting to total Tk. 216,020; and in 26 COs it has gone above Tk 5000 each amounting to total Tk. 228,560. The following major reasons were found related to cash in hand:

- Leader captured and leadership is not being rotated;
- Books and accounts are not checked by members regularly in group meeting;
- CDF and SO don't check the entry/record of the books and registers on regular basis;
- During the June closing bank delays in transaction/receiving deposit from COs;
- Recommendations were not followed properly given by last audit, and finally; and
- Negligence, as well as ill motives of some leaders.

Recommendation

SO and CDF should be more regular to check the cash book and verify that with bank statement. In group meeting CO cash book is to be regularly verified by the members and the balance is to be recorded in resolution book and the status of the cash should be declared in loud before members

Cash relatively bigger amount lying in hand should be kept in vault at Upazila office. In some emergency cases SO may assist CO members to carry the cash to bank. However cash in hand above Tk. 1200 is highly restricted and it should be maintained with no excuses.

Leadership rotation should rightly be practiced as per the rules stipulated in byelaws, and all members of the group should be aware of the value of that.

Finding 1.3: Savings utilization (Loan) status of CO

Table 3 Savings Utilization (Loan) performance:

Sl. No.	Project	Savings loan (Principal)						
		Cu. Disbursed (TK)	Due for recovery (TK)	Repayment made (TK)	Repayment %	IOD (TK)	MOD (TK)	Outstanding (TK)
1	2	3	4	5	6	7	8	9
1	Project Total (3Upazilas)	8439000	4512500	4301272	95	180488	22160	1906968

Cumulative savings utilization is Tk. 8,439,000 and during the audit period the rate of realization is 95%. The total installment overdue is Tk. 180,488 and of that delayed by 3 and 3+ installments have reached to Tk. 40,560 and the matured overdue is Tk. 22,160. It has been observed where the leaders are involved in irregularity such as with IOD or cash in hand; there the trend of delaying repayment of loan is widespread.

Recommendation

Loan aging and the plan of collection of loan based on that should strictly be followed to ensure regular repayment of loan. All necessary efforts should be in place to ensure the collection of mature overdue and regularity should be brought in repaying of current installments. SO and CDF should be in field with clear plan of operation and where necessary should approach door to door basis to bring the overdue in order. The CO leaders should be more active in collection of loans. The peer group pressure should be applied to ensure of loan repayment in time. CO should further be facilitated by SO and CDF for bringing regularity in loan repayment.

Finding 1.4: Project (BKB) Loan Utilization status of CO

Table 4 Project (BKB) Loan, Utilization performance:

Sl. #	Project	Project (BKB) loan (Principal)
-------	---------	--------------------------------

		Cu. Disburse d (TK)	Due for recovery (TK)	Repaymen t made (TK)	Repayme nt %	IOD (TK)	MOD (TK))	Outstandin g (TK)
1	2	3	4	5	6	7	8	9
1	Project Total (3 Upazilas)	84000	24600	24600	100	0	0	0

Cumulative project loan disbursement in 150 COs is Tk. 84000 and the rate of realization is 100%.

Recommendation

In these three Upazilas no over due project loan found in the 150 COs.

Finding 1.5: Project Demo Fund (Loan) Utilization status of CO

Table 5 Project Demo Fund (Loan) Utilization performance:

Sl.#	Project	Demo Fund Utilization		
		Fund received (TK)	Disbursed (TK)	Repayment %
1	2	3	4	5
1	Project Total (3 Upazilas)	1196000	1644845	87

The repayment rate of Demonstration loan is 87%.

Recommendation

The staff as well as CO leaders should be more active to ensure the collection of overdue incurred in demo loan. A planned monitoring and early warning system along with peer group pressure should be in place to facilitate the process of loan recovery.

Finding 1.6: Interest distribution among CO President, Manager and Bad Debt Reserve Fund

Table 6 Interest Distribution among CO President, Manager and Bad Debt Reserve Fund

Sl.#	Project	Presidents' Honorarium: From savings loan & project loan (1.95%+0.75%)			Managers' Honorarium: From savings loan & project loan (3.15 %+1.25%)			Bad Debt Reserve Fund: (Bank loan interest 1%)		
		Total Payable (TK)	Paid (TK)	Yet to pay (TK)	Total Payable (TK)	Paid (TK)	Yet to pay (TK)	Fund received (TK)	Deposited (TK)	Yet to deposit (TK)
1	2	3	4	5	6	7	8	9	10	11
1	Project Total (3 Upazilas)	119286	1606	117680	194362	1725	192637	1201	120	1081

During the audit period out of the total earning from interest both from savings and project loan Tk. 119,286 has not been distributed among Presidents, and Tk. 194,362 among Managers of the COs respectively. Besides, Tk. 1201 has been raised against bad debt reserve fund, since there was not any bank loan activity.

Recommendations

The payment to CO leaders may be done in a formal manner or in the process of CO graduation and/or as recommended during previous audit. It may further increase the acceptance of the project activities to public and that in return can assist the project in implementing its activities where public support is necessary like accessing to beel resources for the fisher community.

Finding 1.7: Project loan interest not charged by bank and it yet to pay from CO

Table 7 Interest against loan with CO account

Sl. #	Project	10% payable interest	Paid to bank	Yet to pay
1	2	3	4	5
1	Project Total (3 Upazilas)	6595	1745	4850

BKB is yet to charge the 10% interest from CO and it is creating a problem in loan management particularly calculating the outstanding accurately. The matter should be resolved immediately by charging interest and crediting in account, and thereby regularized all transactions of project credit line.

Recommendations

Bank should be more active and regular in charging the interest and book it properly. Project should take further initiative to make it done by BKB in a collaborative manner.

Finding 1.8: Receipt, payment and balance status of CO:

Table 8 Financial Statement

Sl. #	Project	Receipt	Payment	Balance	Difference (+/-)	Nos. of COs where difference found
1	2	3	4	5	6	7
1	Project Total (3 Upazilas)	46667567	34115761	12551806	137134	59 COs

Due to wrong posting following wrong A/C number in the deposit slips this difference has been occurred in 59 COs and it has resulted in inaccurate statement. The statements need to be rectified and all relevant documents are needed to correct without any delay.

Recommendations

Deposit slip should be written carefully and it should be verified by concerned CDF/SO. Upazila office should take necessary action and A/C of COs should be checked regularly to avoid this type of problem.

Finding 1.9: PRA, House hold survey and CO benefit sheet

Table 9 PRA, Household survey and CO livelihood support sheet

Sl. #	Project	COs' information at Upazila		
		PRA report found (%)	Household survey completed (%)	CO benefit sheet found (%)
1	2	3	4	5
1	Project Total (3 Upazilas)	100	100	100

Recommendations

PRA, Household surveys, if there is other than SHE, and CO livelihood support sheet should be kept both in CD and hard copy. SUPM should take initiatives to complete the works.

Finding 1.10: Formal and Informal Training to CO members

Table 10 Formal and Informal training

Sl. No	Project	Informal training			Formal training		
		Target	Achieved	%	Target	Achieved	%
1	2	3	4	5	6	7	8
1	Project Total (3 Upazilas)	1571	842	53	544	432	79

As it was observed during the last audit, this time as well, according to the record, the performance of informal and formal training has not been found satisfactory. It is reported that due to non-recording of training in register the real figure of training

given is difficult to assess. It is informed from the Training Coordinator of PMU, more than 90% trainings have been conducted against the yearly target.

Recommendations

A yearly plan should be drawn and that should be regularly reviewed to achieve the target. SO/CDF should monitor whether the trainings are properly recorded at CO level in specific register.

Finding 1.11: Leadership rotation, Asset formation and social contribution status

Table 11 Leadership rotation, Asset formation and social contribution status

Sl. No	Project	Nos. of Leadership rotation status of CO					Asset formation		Social contribution	
		President & Manager Rotated	Only President Rotated	Only Manager Rotated	Incomplete tenure	Tenure complete but not changed	% of CO formed physical asset	Total value of the asset (TK)	% of CO contributed in society	Total value (TK)
1	2	3	4	5	6	7	8	9	10	11
1	Project Total (3 Upazilas)	12	4	3	44	87	30	38450	11	285500

The elements of good governance values largely lack in many COs. Leadership rotation, assets building for sustainability, developing the affinity with rest of the society – all these are yet to achieve in a good numbers of COs.

Recommendations:

On leadership rotation:

- It should be regularized according to the clauses of CO byelaws, and SO/CDF should be on it to make it done.

On asset formation:

- Asset building should be brought in practice through a plan and based on needs, and necessary steps should be taken to keep the record of that properly.

On social contribution:

- Social contribution should be recorded properly.

2. Introduction and objectives:

Community Based Resource Management Project (CBRMP) has a development goal to reduce poverty of 90,000 households in Sunamganj within a period of 12 years starting from January 2003 and ended in June 2014. The project follows a participatory approach and relies on the capacity of the people to achieve the project goal and its sustainability. To realize that, and to reaching the people in an organized manner the project has approached to form people's organizations at village level in the name of Credit Organization (CO). A total of 2995 COs have meanwhile been formed, from where 1765 COs have been graduated and 09 COs dropped-out by June'11. 1071 COs have been targeted to graduate over July'11 to June'12 from the rest 1221 COs. In this audit period 150 COs have been audited in Derai, Dowarabazar and Dharmapasha Upazilas and from July'11 to June'12 total 939 COs' final accounts (audit) have been completed in Sunamganj Sadar, South Sunamganj, Bishwambarpur, Jamalganj, Tahirpur, Derai, Dowarabazar, Sulla and Dharmapasha Upazilas and 01 COs has been dropped-out in Sulla Upazila. A combined support including training, micro credit, infrastructure development, livestock and fisheries development have made available for the community to attain the ultimate goal of the project. As the persistent good performance of CO is crucial for the project success, a comprehensive regular monitoring of their works is carried out by the project. Among others, Internal Audit is one of the important tools of that monitoring system.

This internal audit was conducted during January-February'12 including 150 COs formed by June'11. The internal audit examines a few core areas of 150 COs' activities to understand the performance related to their sustainability. The areas were:

- record keeping and weekly meeting;
- cash in hand;
- installment overdue(IOD) status of CO;
- distribution of income - earning from interest- to CO President and Manager;
- bad-debt reserve;
- formal and informal training to CO; and
- group asset building and social contribution.

The main objectives of internal audit were to:

- review the performance of CO at key areas towards achieving self- reliant;
- ensure accountability and transparency in financial management;
- assess the lacks in group management and define the areas of support required; and
- provide assistances to overcome the lacks and limitations.

On the other hand the internal audit (final accounts) of 939 COs (July'11 to June'12) examined the total cash flow of the individual CO within the CO members and with the project and Bangladesh Krishi Bank. The major areas of audit and final accounts were:

- record keeping in CO books and registers;
- members' savings as well as group fund status;
- internal (Savings) loan activities and the service charge status;
- Project loan activities and its service charge status;
- demo activities and its service charge status;
- identifying liabilities of CO and individual member; and
- profit distribution among the members and leaders of the COs.

The main objectives of this final account, along with others, were to:

- distribute the profit and other income among the CO member in a transparent manner;
- graduate the CO with zero financial liabilities

Project staffs were deployed to conduct the audit with assistance of concern CO leaders. They were duly trained on audit concepts and processes. A structured data collection sheet was introduced to guide the audit team in collecting data from fields.

This internal audit report is structured into nine major sections. The sections include: executive summary of findings, introduction and objectives, methodology and scope of audit, findings and recommendations, general conclusion, and lesson learned. Necessary documents in support of the findings have been given in annexes 1 and 2 alongside the unions' reports of 150COs of three Upazilas and statistical profile of 939 COs of nine Upazilas.

3. Methodology and Scope of Audit:

3.1 Methodology

The audit has been conducted in accordance with the generally accepted administrative and financial rules and procedures issued for the purpose of Credit Organization of CBRMP. In addition to that, audit has been completed following process:

- Discussed the audit schedule with the SUPM and rescheduled if required.
- CO mobilized in MVC or in a suitable place for examining the documents.
- In presence of concern SO/CDF all books & documents (Attendance register, Individual Savings & Loan Pass Books, Savings Ledger, Loan Ledger, Cash Book, General Ledger, Money Deposit Slips and the Bank Statement of loan and savings a/c) have been checked by auditor.
- Savings, Savings loan, Project loan and other transactions recorded in the prescribed data collection sheet and based on that financial statement was drawn.
- Where anomaly found auditor discussed the matter with SO/CDF/CO Manager or President then gave them suggestion or rectified it if possible or recommended for making correction.
- Team leader gathered all individual CO audit reports and made soft copy of it and verified with primary data and submitted then it to CM.

- A draft upazila-wise audit report sent to SUPM for their comments, and
- Lastly debriefing taken place on 18th April'12 for management decisions and following that the final Audit Report has been prepared.

Three teams consisting of 09 auditors carried out the audit with assistance of concern CO leaders. They were adequately trained on auditing issues. Necessary data collection sheets were developed to work in field for data collection. Each audit team comprised 09 auditors headed by a team leader. The overall audit was led by a Chief Auditor/ Credit Manager of the project.

The roles and responsibilities of the audit team were as follows:

As Auditor:

- Information collection from field
- Preparing audit report (draft and final)

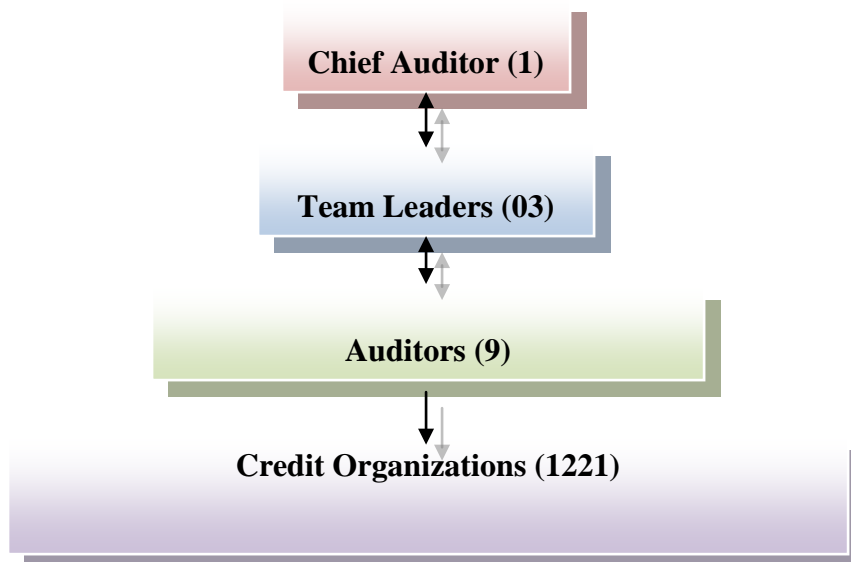
As Team Leader:

- Supervise the activities of auditors
- Gather reports from auditors
- Compile the report in summary form
- Debrief the audit reports
- Submit the audit report to Chief Auditor within schedule time by 29.02.2012

As Chief Auditor:

- Budget preparation for the audit
- Ensure necessary support for the team
- Analyze the reports submitted by team leaders
- Complete the final audit report
- Submit the draft by 15.03.2012 and final report to the Project Director as soon as possible
- Prepare a management letter.

The functional set-up



3.2 Selection Criteria of CO

150 COs were selected for Internal Audit following the criteria mentioned below:

- COs formed by 31 July, 2011
- COs had savings and loan activities
- Maximum CO Manager received accounts and bookkeeping training
- COs received or not received loan from Savings/BKB loan/Project loan, but Bank A/Cs was opened.

Based on the above criteria, 1071 COs were targeted/ selected for Internal Audit and final accounts, where applicable.

4. Findings, Recommendations and Management Response

Audit Period: From: a) 1st January, 2011 to 31st December, 2011
b) Final Accounts (audit): July'11 to June'12

4.1. Internal Audit Summary Analysis of COs on Key Issues

Table 12 Upazila-wise Summary Table

Sl.#	Particulars		Unit	S.ganj Sadar	South S'ganj	B'pur	J'ganj	T.pur	Derai	D. bazar	Sulla	D. pasha	Total
A	Number of CO audited	Male		3	4	2	18	14	36	56	67	14	214
		Female		12	5	8	61	126	156	185	102	220	875
		Total		15	9	10	79	140	192	241	169	234	1089
B	Number of Loanees	(a) Running							34	160		24	218
									393	294		326	1013
									427	454	0	350	1231
		(b) New	0	0	0	0	0		0	48	4	11	63
			0	0	0	0	0		26	157	23	198	404
			0	0	0	0	0		26	205	27	209	467
C	IOD Loan	Ins. 1		0	0	0	0						
				0	0	0	0						
				0	0	0	0		102	66		39	207
		Amount Ins. 2		0	0	0	0		61200	41720		16300	119220
				0	0	0	0		0	0		0	0
				0	0	0	0		0	0		0	0
		Amount Ins. 3		0	0	0	0		3	18		0	21
				0	0	0	0		3600	17100		0	20700
				0	0	0	0		0	0		0	0
		Amount Ins.3+		0	0	0	0		0	0		0	0
				0	0	0	0		0	0		0	0
				0	0	0	0		15	5		0	20
		Amount		0	0	0	0		14300	19668		0	33968
D	MOD Loan	Member										0	0
												0	0
									3	19		0	22

Sl.#	Particulars	Unit	S.ganj Sadar	South S'ganj	B'pur	J'ganj	T.pur	Derai	D. bazar	Sulla	D. pasha	Total
	Amount							4500	17660		0	22160
E	CO Manager not Received Due Fees	Male										0
		Female										0
		Total	0	0	0	0	0	50	50	0	50	150
F	CO President not Received Due Fees	Male										0
		Female										0
		Total	0	0	0	0	0	50	50	0	50	150
G	Group Fund not timely deposited in Bank	Male										0
		Female										0
		Total	0	0	0	0	0	0	0	0	0	0
H	Risk Fund not collected	Male										0
		Female										0
		Total	0	0	0	0	0	0	0	0	0	0
I	Penalty Interest collected but not timely deposited in Bank	Male										0
		Female										0
		Total	0	0	0	0	0	0	0	0	0	0
	Penalty Interest not collected	Male										0
		Female										0
		Total	0	0	0	0	0	0	0	0	0	0
J	Dues to Bank not deposited timely	Male										0
		Female										0
		Total	0	0	0	0	0	0	0	0	0	0
K	CO Found with cash in hand	Male										0
		Female										0
		Total						48	46		50	144
L	CO Members' Pass Book not updated	Male										0
		Female						0	0	0	0	0
		Total										0
M	MF Books not Properly Maintained	Male										0
		Female										0
		Total						0	0	0	0	0
N *	Loan Application got Fund being Delayed	Male										0
		Female										0
		Total										0
	Delayed to received loan fund occurred due to	CO						17	22		20	59
		Project Upazila Office (Savings loan)	N=total, Number					N=50, 17	N= 50, 22		N=50, 20	N=150, 59
		Bank (Project Loan)	N=Total, Number									
		Total										
O	Loan approved not allowing T&C	Male										
		Female										
		Total										
P	CO capable to run organization without regular assistance of SO	Male										
		Female										
		Total						45	35		36	116

N* note: Information collected from the register of recommendation for Upazila loan proposal.

Finding 4.2: Record keeping and weekly meeting (union/upazila wise status):

Table 13: CO performance

Sl.#	1. General Information				2. Maintaining of books & record by CO Manager (nos.)			3. Conducting weekly Meeting by CO President (nos.)		
	Name of Union	Nos. of COs	Gender	SO's Name	Can write	Partially write	Can't write	Can	Partially	Can't
1	2	3	4	5	6	7	8	9	10	11
1	Bogla	4	M=0, F=4	Ashraf	1	3	0	4	0	0
2	Surma	9	M=0, F=9	Rana	5	4	0	9	0	0
3	Pandergaon	8	M=4, F=4	Rana	6	2	0	8	0	0
4	Mannargaon	11	M=2, F=9	Monotosh	7	4	0	11	0	0
5	Laxmipur	3	M=1, F=2	Rana	3	0	0	3	0	0
6	Banglabazar	15	M=4, F=11	Foyez	13	2	0	13	2	0
D. bazar Upazila		50	M=11 F=39		35	15	0	48	2	0
7	Razanagar	7	M=1, F=6	Rokunuddin	7	0	0	7	0	0
8	Sarmongal	7	M=0, F=7	Chandan	7	0	0	7	0	0
9	Charnarchar	11	M=0, F=11	Bashir	10	1	0	11	0	0
10	Karimpur	11	M=0, F=11	Rabbani	9	2	0	11	0	0
11	Vatipara	8	M=1, F=7	Habibulla	7	1	0	8	0	0
12	Tarol	6	M=1, F=5	Gopal	5	1	0	5	1	0
Derai Upazila		50	M=3, F=47		45	5	0	49	1	0
13	D.pasha Sadar	6	M=0, F=6	Suchanda	5	1	0	6	0	0
14	Salborosh	12	M=0, F=12	A Razzak	8	4	0	11	1	0
15	Pikurhati	12	M=0, F=12	Razibul	8	4	0	12	0	0
16	Joysree	11	M=1, F=10	Aminul	6	5	0	11	0	0
17	Moddhonagar	6	M=0, F=6	Asaduzaman	6	0	0	6	0	0
18	Chamordhani	3	M=0, F=3	Asaduzaman	3	0	0	3	0	0
D.pasha Upazila		50	M=01 F=49		36	14	0	49	1	0
Project Total (3 Upazilas)		150	M=15, F=135		116	34	0	146	4	0

Findings, Recommendation and Management Response

4.2.2 Maintaining of books & record by CO Manager

Can write:

Out of total 150 COs, 77% COs can write registers and ledgers. CO and CDF should further strengthen their follow-up and assist the COs as required with a plan and with strategy.

Can partially write:

23% of COs can partially write registers and ledgers. SO and CDF should monitor and assist the COs to improve their skill in record keeping.

Cannot write:

All COs found to write their registers and ledgers.

Management response

Concerned staff has been instructed to draw a plan and arrange refreshers training/practices for the Managers in the weekly meeting.

4.2.3 Conducting weekly Meeting by CO President:

Can conduct:

From 150 COs, 97% COs can conduct weekly meeting without SOs' assistance. SO and CDF should follow-up and encourage them to continue it.

Can partially conduct:

3% of COs' President can conduct meeting, by and large, without the assistance of SO/CFD. SO and CDF should assist to improve the skill further. Leadership Development refreshers training/practices session should be arranged to improve the skill and ensure the progress thereafter.

Can not conduct:

All COs could conduct meeting. In some cases, CO members did not attend weekly meeting. SO and CDF should take necessary initiatives to assist the COs in conducting meeting.

However comparing to the previous performance the situation has quite improved. Main constraints found are lack of experience and minimum education of the CO leaders to undertake that work. The leaders although received training, they were failing to utilize that properly. There might have yet been some problems in assimilating the training contents by the CO leaders. In conducting meeting there is weakness both in skill and process to run the meeting systematically.

SO and CDF should be more focused on the weak areas of CO leaders and give necessary support as they can overcome those limitations. Some follow-up training (informal) might be necessary in a revised form based on the specific lacks of the COs in performing their responsibilities.

Management response

CDF/SO have been instructed to arrange informal training and provide support to CO President in conducting meeting.

The management is fully aware about the situation and meanwhile after survey specific trainings, particularly in relation to CO graduation, have been introduced with some follow-up supports to overcome the weakness of the group leaders and get further oriented to their tasks.

Finding 4.3 Own Savings, Savings Utilization (Loan) status of CO

Table 14 Own Savings, savings Utilization performance

Sl. #	Name of Union	1. Savings accumulation			2. Savings loan (Principal)						
		Collection (Tk)	Deposited (Tk)	Cash in hand (Tk)	Disbursed (Tk)	Due for recovery (Tk)	Repayment made (Tk)	Repayment %	IOD (Tk)	MOD (Tk)	Outstanding (Tk)
1	2	3	4	5	6	7	8	9	10	11	12
1	Bogla	197540	169375	28165	109000	90900	74400	82	5100	13600	21400
2	Surma	460915	432805	28110	342000	157700	143760	91	7400	2660	60380
3	Pandergaon	416180	373935	42245	437000	205100	186480	91	18620	0	119020
4	Mannargaon	619020	590140	28880	619000	291400	289400	99	3100	0	71500
5	Laxmipur	203600	178300	25300	193000	123300	103632	84	19668	0	19668
6	Banglabazar	864150	795590	68560	951000	594200	565300	95	26400	1400	182400
D. bazar Upazila		2761405	2540145	221260	2651000	1462600	1362972	93	80288	17660	474368
7	Razanagar	292930	280695	12235	410000	290400	281500	97	11200	0	82200
8	Sarmongal	224260	215780	8480	442000	258900	231200	89	18800	0	139700
9	Charnarchar	443740	425315	18425	553000	326100	325100	100	1200	0	135500
10	Karimpur	472035	451955	20080	843000	378700	352000	93	23700	4500	241700
11	Vatipara	451480	427100	24380	751000	330600	329600	100	1000	0	252800
12	Tarol	273162	257227	15935	572000	257600	229600	89	28000	0	144700
Derai Upazila		2157607	2058072	99535	3571000	1842300	1749000	94	83900	4500	996600
13	D.pasha Sadar	317800	298070	19730	186000	96600	92200	95	4400	0	43800
14	Salborosh	562100	543970	18130	461000	275100	275100	100	0	0	117600
15	Pikurhati	498440	482345	16095	398000	197200	195900	99	1300	0	90700
16	Joysree	678960	620950	58010	940000	502800	493000	98	9800	0	140600
17	Moddhonagar	220350	198540	21810	140000	70200	69400	99	800	0	33600
18	Chamordhani	157040	147100	9940	92000	65700	63700	97	0	0	9700
D.pasha Upazila		2434690	2290975	143715	2217000	1207600	1189300	98	16300	0	436000
Project Total (3 Upazilas)		7353702	6889192	464510	8439000	4512500	4301272	95	180488	22160	1906968

Findings, Recommendation and Management Response

4.3.1 Savings accumulation: Cash in hand

Total cash in hand is Tk. 464,510 with 144 COs. In 88 COs the cash in hand is found from 1200 to Tk. 5000 amounting to total Tk. 216,020; and in 26 COs it has gone above Tk 5000 each amounting to total Tk. 228,560. It is really not expected. In some cases due to June closing of bank or the distance of the bank, women CO leaders could not be regular to make the deposit in bank and that had raised the amount of cash in hand. But the major reasons identified for that is absolutely the negligence of the concerned leaders. Cash in hand for more than one month is not a good practice.

The group as a whole should be aware about the problem of cash in hand. The leaders should duly be accountable for that. In some special cases like seasonality problem, SO/CDF can help them transporting the leaders with cash to bank.

SO and CDF should be more careful in checking the documents like cash book, bank statement etc., and strongly discourage that the group should not to hold cash above Tk.1200. in hand. Cash relatively bigger amount lying in hand should be kept in vault at Project's Upazila office. The group member should be regular on checking the books of accounts and verify the status in group meeting.

Management response:

Maximum cash in hand have meanwhile been deposited to bank and all concerns have been instructed to monitor it strictly. Project as well is very critical on it. SO and CDF have strongly been instructed to keep an eye on it, particularly to check the cash book and bank statement regularly. A practice has also been introduced to check that documents related to cash status by group member during group meeting on regular basis. Leadership should be rotated at proper interval as per the byelaws. In case of graduating groups, while closing to last few groups, it is getting stiff particularly in recovering cash hold by some willful defaulters, and it is causing the progress of cash in hand status stalemate.

4.3.2 Savings loan (Principal): Repayment rate and overdue loan

Savings loan realization rate in Dowarabazar is 93%, Derai is 94% and in Dharmapasha it is 98 %. Total savings utilized is Tk. 84,39,000 and the rate of realization is 95%. The total installments overdue is Tk. 1,80,488 and of that delayed by 3 and 3+ installments have reached to Tk. 40,568 and the matured overdue is Tk. 22,160. It has been observed where the leaders are irregular such as with IOD or cash in hand there the trend of delaying repayment of loan is widespread.

Overdues are larger in amount with some individuals. Regular and strong supervision should be in place to collect those through person to person contact basis.

No reasons, other than lack of willingness in repaying loan and lack of timely supervision of SO/CDF are the causes have worked behind delaying in repaying of loan.

Loan aging and the plan of collection of loan based on that should strictly be followed to ensure regular repayment of loan. Efforts should be in place on case basis to ensure the collection of mature overdue and regularity should be brought in repaying of current installment. SO and CDF should be in field with clear plan of operation and if necessary should approach door to door basis to bring the overdue in order. The CO leaders should be more focused on collection of loan. The peer group pressure should be applied to ensure of loan repayment in time. CO should further be assisted by SO and CDF for bringing regularity in loan repayment.

Management response:

All concerned officials are instructed to assist in collection of overdue on case by case basis and it is being done accordingly. The impact is positive, but more attention will be given to that area being specific with target and assigned responsibility.

Finding 4.4 Project (BKB) loan and Demo fund utilization status of CO:

Table 15 Project (BKB) loan and Demo fund utilization status of CO

Sl.#	Name of Union	1. Project (BKB) loan(Principal)							2. Demo Fund Utilization		
		Disbursed (TK)	Due for recovery (TK)	Repayment made (TK)	Repayment %	IOD (TK)	MOD (TK)	Outstanding (TK)	Fund received (TK)	Disbursed (TK)	Repayment %
1	2	3	4	5	6	7	8	9	10	11	12
1	Bogla	0	0	0	0	0	0	0	15000	12000	0
2	Surma	0	0	0	0	0	0	0	57000	63000	67
3	Pandergaon	0	0	0	0	0	0	0	81000	100000	37
4	Mannargaon	0	0	0	0	0	0	0	103000	151000	100
5	Laxmipur	0	0	0	0	0	0	0	29000	29000	37
6	Banglabazar	0	0	0	0	0	0	0	85000	99000	76
D. bazar Upazila		0	0	0	0	0	0	0	370000	454000	63
7	Razanagar	0	0	0	0	0	0	0	66000	73550	100
8	Sarmongal	34000	9600	9600	100	0	0	0	57000	88875	95
9	Charnarchar	0	0	0	0	0	0	0	123000	141450	100
10	Karimpur	0	0	0	0	0	0	0	77000	141225	92
11	Vatipara	50000	15000	15000	100	0	0	0	96000	166950	80
12	Tarol	0	0	0	0	0	0	0	39000	60145	57
Derai Upazila		84000	24600	24600	100	0	0	0	458000	672195	86
13	D.pasha Sadar	0	0	0	0	0	0	0	39000	48300	98
14	Salborosh	0	0	0	0	0	0	0	91000	101200	100
15	Pikurhati	0	0	0	0	0	0	0	90000	103500	99
16	Joysee	0	0	0	0	0	0	0	100000	210450	99
17	Moddhonagar	0	0	0	0	0	0	0	33000	37950	98
18	Chamordhani	0	0	0	0	0	0	0	15000	17250	100
D.pasha Upazila		0	0	0	0	0	0	0	368000	518650	99
Project Total (3 Upazilas)		84000	24600	24600	100	0	0	0	1196000	1644845	87

Findings, Recommendation and Management Response

4.4.1 Project (BKB) loan (Principal): Repayment rate, Overdue loan

In these 150 COs of three Upazilas there was project loan outstanding only in Derai and the repayment rate is 100%.

Management Response:

In these three Upazilas no over due project loan found in the 150 COs.

4.4.2 Demo Fund Utilization:

The repayment rate of demonstration loan is 87%. Yet the utilizations of demo fund are not properly recorded in CO register and pass-book, but the situation has improved than last year. Initiatives should be taken to collect Demo overdue, particularly of the COs are in process of graduation. Transactions of Demos need to be properly recorded at proper register.

Management Response:

All concerned have been instructed to intensify their supervision to collect overdue and monitor whether keeping the records properly in relevant books and registers.

Finding 4.5 Interest distribution to CO President, Manager and bad debt reserve fund:

Table 16 Interest distribution

Sl. #	Name of Union	1. Presidents' Honorarium			2. Managers' Honorarium			3. Bad Debt Reserve Fund		
		Total Payable (Tk)	Paid (Tk)	Rest Payable (Tk)	Total Payable (Tk)	Paid (Tk)	Rest Payable (Tk)	Fund received (Tk)	Deposited (Tk)	Rest (Tk)
1	2	3	4	5	6	7	8	9	10	11
1	Bogla	1746	0	1746	2824	0	2824	0	0	0
2	Surma	5140	0	5140	8304	0	8304	0	0	0
3	Pandergaon	3470	0	3470	5611	0	5611	0	0	0
4	Mannargaon	9668	0	9668	15618	0	15618	0	0	0
5	Laxmipur	3024	0	3024	4889	0	4889	0	0	0
6	Banglabazar	14204	0	14204	24051	0	24051	0	0	0
	D. bazar Upazila	37252	0	37252	61297	0	61297	0	0	0
7	Razanagar	6373	0	6373	9891	0	9891	0	0	0
8	Sarmongal	4391	90	4301	7115	150	6965	479	120	359
9	Charnarchar	8220	975	7245	13279	1575	11704	0	0	0
10	Karimpur	11124	0	11124	17972	0	17972	0	0	0
11	Vatipara	9160	541	8619	15709	0	15709	722	0	722
12	Tarol	8023	0	8023	12962	0	12962	0	0	0
	Derai Upazila	47291	1606	45685	76928	1725	75203	1201	120	1081
13	D.pasha Sadar	2771	0	2771	4482	0	4482	0	0	0
14	Salborosh	6709	0	6709	10836	0	10836	0	0	0
15	Pikurhati	5987	0	5987	9674	0	9674	0	0	0
16	Joysree	15586	0	15586	25181	0	25181	0	0	0
17	Moddhonagar	2074	0	2074	3353	0	3353	0	0	0
18	Chamordhani	1616	0	1616	2611	0	2611	0	0	0
	D.pasha Upazila	34743	0	34743	56137	0	56137	0	0	0
	Project Total (3 Upazilas)	119286	1606	117680	194362	1725	192637	1201	120	1081

Findings, Recommendation and Management Response

4.5 Presidents, Managers Honorarium and Bad Debt Reserve Fund

Only Tk. 1606 has been distributed among Presidents and Tk. 1725 among Managers of the COs from interest earning during the audited period. Besides, an amount of Tk. 1201 has been raised against bad debt reserve fund.

The rest CO Managers and Presidents who are yet to get their fee from interest earning should be given at the time of CO graduation following a plan and schedule.

Management Response

A yearly CO graduation plan has been drawn to make the payment of President and Manager timely manner.

Finding 4.6 Project loan interest, CO balance sheet and security against loan

Table 17. Project loan interest, CO balance sheet and security against loan

Sl. #	Name of Union	1. 10% Project (BKB) loan Interest			2. COs Balance sheet Difference				3. 10% security against Project(BKB) loan		
		Interest Charged (TK)	Paid to Bank (TK)	Yet to pay (TK)	Received (TK)	Payment (TK)	Balance (TK)	Difference (TK) (Nos. of COs)	Deposited (TK)	Refunded (TK)	Yet to refund (TK)
1	2	3	4	5	6	7	8	9	10	11	12
1	Bogla	0	0	0	1174264	1022267	151997	2000	0	0	0
2	Surma	0	0	0	2365384	1949016	416368	395	0	0	0
3	Pandergaon	0	0	0	3595090	2790492	804598	400	0	0	0
4	Mannargaon	0	0	0	2167556	1513211	654345	2849	0	0	0
5	Laxmipur	0	0	0	853205	605558	247647	0	0	0	0
6	Banglabazar	0	0	0	4529151	3513242	1015909	136691	0	0	0
	D. bazar Upazila	0	0	0	14684650	11393786	3290864	142335	0	0	0
7	Razanagar	0	0	0	3672300	2400996	1271304	-131	0	0	0
8	Sarmongal	2705	1745	960	1756774	1618648	138126	2700	0	0	0
9	Charnarchar	0	0	0	3151509	2765929	385580	25519	0	0	0
10	Karimpur	0	0	0	3361240	3070309	290931	8981	0	0	0
11	Vatipara	3890	0	3890	1322111	1068239	253872	270	0	0	0
12	Tarol	0	0	0	811100	670958	140142	0	0	0	0
	Derai Upazila	6595	1745	4850	14075034	11595079	2479955	37339	0	0	0
13	D.pasha Sadar	0	0	0	2556729	2001074	555655	-7448	0	0	0
14	Salborosh	0	0	0	3080496	1688886	1391610	-5671	0	0	0
15	Pikurhati	0	0	0	5056748	3217791	1838957	19268	0	0	0
16	Joysree	0	0	0	4836383	2992913	1843470	-48699	0	0	0
17	Moddhonagar	0	0	0	1742305	985545	756760	10	0	0	0
18	Chamordhani	0	0	0	635222	240687	394535	0	0	0	0
	D.pasha Upazila	0		0	17907883	11126896	6780987	-42540	0	0	0
	Project Total (3 Upazilas)	6595	1745	4850	46667567	34115761	12551806	137134	0	0	0

Findings, Recommendation and Management Response

4.6.1 10% Project (BKB) loan Interest:

Bank is yet to be regular to charge the 10% interest from CO and it is creating a problem in loan management particularly calculating the outstanding correctly from the bank's point of view. The matter should be solved immediately by putting a system in place for proper financial management of project credit line. Necessary steps should be taken to pay the said amount to bank without any delay.

Management Response

Project will discuss the issue with Bank's higher authority so that at branch level they take it seriously and thereby the issue is solved as early as possible.

4.6.2 Difference in Financial Statement:

Due to wrong posting following wrong A/C number in the deposit slip this difference occurred in 59 COs and it has resulted in inaccurate statement. The problem has been observed in all Upazilas. It is found Tk. 137134/- difference in 59 COs bank balance statements. Necessary steps should be taken by Upazila office to correct the statements immediately.

Management Response

Deposit slip should be written carefully and it should be verified by concerned CDF/SO. Upazila should take necessary action and A/C of COs should be checked periodically to avoid the problem.

All SOs and CDFs have been instructed to rectify the differences.

4.6.3 10% security against Project (BKB) loan:

All project loans security money has been transferred to the COs' A/C. According to the amendments referred to (Memo nos. of BKB 659(8) dated 03/05/07) the Micro Credit Guidelines no security money should be deposited in a separate A/C other than the CO accounts. Therefore, the security money that was previously deposited in separate account had been returned to the concern CO's savings A/C.

Management Response

Bank has duly informed and solved the matter.

Finding 4.7 COs' information at Upazila, & Formal and Informal training conduction status of CO

Table 18. COs' information at Upazila, & Formal and Informal training conduction status of CO

Sl. #	Name of Union	1. COs' information at Upazila			2. i. Informal Training			2. ii. Formal Training		
		PRA report found (%)	House hold survey completed (%)	CO benefit sheet found (%)	Target (nos.)	Conducted (nos.)	Achievement %	Target (nos.)	Conducted (nos.)	Achievement %
1	2	3	4	5	6	7	8	10	11	12
1	Bogla	4	4	4	36	0	0	9	5	56
2	Surma	9	9	9	85	15	18	33	26	79
3	Pandergaon	8	8	8	65	40	62	31	29	94
4	Mannargaon	11	11	11	108	10	9	43	26	60
5	Laxmipur	3	3	3	36	4	11	15	13	87
6	Banglabazar	15	15	15	180	42	23	75	52	69

Sl. #	Name of Union	1. COs' information at Upazila			2. i. Informal Training			2. ii. Formal Training		
		PRA report found (%)	House hold survey completed (%)	CO benefit sheet found (%)	Target (nos.)	Conducted (nos.)	Achievement %	Target (nos.)	Conducted (nos.)	Achievement %
	D. bazar Upazila	50	50	50	510	111	22	206	151	73
7	Razanagar	7	7	7	84	69	82	21	20	95
8	Sarmongal	7	7	7	85	59	69	26	18	69
9	Charnarchar	11	11	11	134	95	71	37	31	84
10	Karimpur	11	11	11	132	93	70	40	30	75
11	Vatipara	8	8	8	93	66	71	34	22	65
12	Tarol	6	6	6	72	48	67	22	21	95
	Derai Upazila	50	50	50	600	430	71	180	142	76
13	D.pasha Sadar	6	6	6	23	21	91	21	16	76
14	Salborosh	12	12	12	94	90	96	33	28	85
15	Pikurhati	12	12	12	116	70	60	33	28	85
16	Joysree	11	11	11	132	63	48	36	33	92
17	Moddhonagar	6	6	6	60	33	55	21	21	100
18	Chamordhani	3	3	3	36	24	67	14	13	93
	D.pasha Upazila	50	50	50	461	301	65	158	139	88
	Project Total (3 Upazilas)	150	150	150	1571	842	53	544	432	79

Findings, Recommendation and Management Response

4.7.1 COs' information at Upazila:

PRA, HH survey and CO benefit sheets are found 100% complete, but need to keep in specific file with more care.

Management Response

A process has been put in place to keep CO information in digitized form through SHE software.

4.7.2 Informal and formal Training:

Informal training conduction rate was found 53% and formal training conduction achievement was 79%, it should be increased further following recurrent need assessment. In some cases training conducted but information not recorded in the CO books, therefore it assumes the rate of achievement is higher than 53%.

The performance of informal and formal training has progressed comparing to last year.

However the yearly plan of training should regularly be reviewed to achieve the target.

Management Response

SUPMs have meanwhile been advised to arrange formal and informal training as required and SOs have been instructed to monitor properly so that the training record books are kept updated.

Finding 4.8 Nos. of Leadership Rotation, Asset Formation and Social Contribution status of CO:

Table 19 Nos. of Leadership Rotation, Asset Formation and Social Contribution status of CO:

Sl.#	Name of Union	1. Nos. of Leadership rotation status of CO					2. Asset formation		3. Social contribution	
		President & Manager Rotated	Only President Rotated	Only Manager Rotated	Incomplete tenure	Not rotated after tenure	Nos. of CO formed physical asset	Total value of the asset (TK)	Nos. of CO contributed in society	Total value (TK)
1	2	3	4	5	6	7	8	9	10	11
1	Bogla	0	0	0	3	1	1	250	0	0
2	Surma	1	0	0	0	8	1	320	0	0
3	Pandergaon	0	0	0	3	5	2	640	0	0
4	Mannargaon	1	0	1	3	6	3	1050	1	3000
5	Laxmipur	0	1	0	1	1	1	320	1	0
6	Banglabazar	2	1	0	6	6	0	0	0	0
D. bazar Upazila		4	2	1	16	27	8	2580	2	3000
7	Razanagar	1	0	0	1	5	6	3800	3	54000
8	Sarmongal	0	1	0	2	4	4	1900	3	60000
9	Charnarchar	2	0	1	1	7	4	1380	1	70000
10	Karimpur	2	0	1	2	6	4	2070	1	1000
11	Vatipara	0	0	0	1	7	6	2500	1	12000
12	Tarol	1	1	0	2	2	3	1500	1	25000
Derai Upazila		6	2	2	9	31	27	13150	10	222000
13	D.pasha Sadar	0	0	0	4	2	1	400	1	40000
14	Salborosh	1	0	0	4	7	2	670	0	0
15	Pikurhati	1	0	0	5	6	2	500	0	0
16	Joysree	0	0	0	3	8	5	21150	1	500
17	Moddhonagar	0	0	0	1	5	0	0	2	20000
18	Chamordhani	0	0	0	2	1	0	0	0	0
D.pasha Upazila		2	0	0	19	29	10	22720	4	60500
Project Total (3 Upazilas)		12	4	3	44	87	45	38450	16	285500

Findings, Recommendation and Management Response

4.8.1 Nos. of Leadership rotation status of CO:

Need to initiate efforts for leadership rotation leaders in COs following the CO byelaws. 87 CO leaders completed their period, but they are yet to be replaced. Initiative should be taken to bring changes in leadership in order to bring good governance in CO management.

Management Response

Initiatives have been taken to motivate CO for finding alternative leaders and following the byelaws in this regard.

4.8.2 Asset formation:

30% COs have formed some assets which found in record. All COs have some common assets, but that are not well documented in record books. Necessary steps should be taken to keep the record of this information properly. There is no progress even after the similar observation gave last year in this regard.

Management Response

SO and CDF have strictly been instructed to make the records of assets formation updated properly and report to SUPM upon this status.

4.8.3 Social contribution:

11% COs have a record of social contribution and it was Tk. 285,500. All COs have some social contribution to the society. But these are not properly documented. Necessary documentation and record should be kept of those activities. Similar observation was last year, but no such progress in this area so far.

Management Response

SO and CDF have strictly been instructed to make the records of assets formation updated properly and report to SUPM upon this status.

Summary findings of Graduated COs:

Finding 4.9 General Information, Members' Savings Status, Income, Expenditure, Net income, Distributable Amount, Liabilities, Distributed Amount and Supports provided from the Project to Graduated CO:

Table 20. Summary of Graduated COs July'11 to June'12: (a)

Sl #	Parameters	Unit	July'11 to June'12									
			S.ganj Sadar Total 15 COs	South S.ganj Total 09 COs	B.pur Total 10 COs	J.ganj Total 79 COs	T.pur Total 140 COs	Derai Total 142 COs	D.bazar Total 191 COs	Sulla Total 169 COs	D.pasha Total 184 COs	Project Total 939 COs
A	General Information											
1	Date of CO formation	Date										
2	Savings A/C number	Number										
3	Name of the Bank Branch	Name										
4	Location	Union										
5	Gender	M/F	F=12	F=05	F=08	F=61	F=126	F=109	F=146	F=102	F=171	F=740
6	Date of Graduation	Date										
7	Number of member enrolled	Number	448	255	310	2416	3959	2405	5743	4906	5394	25836
8	Number of existing member	Number	319	243	144	1726	3504	2065	4955	4371	4976	22303
B	Members' Savings Status											
1	Savings accumulated	Tk	553550	252130	412419	2332733	5716590	2483587	9135710	3760580	8166197	32813496
2	Savings withdrawn for drop-out CO member	Tk	148457	16490	362800	1031067	606995	304640	916000	430243	358160	4174852

SI #	Parameters	Unit	July'11 to June'12									
			S.ganj Sadar Total 15 COs	South S.ganj Total 09 COs	B.pur Total 10 COs	J.ganj Total 79 COs	T.pur Total 140 COs	Derai Total 142 COs	D.bazar Total 191 COs	Sulla Total 169 COs	D.pasha Total 184 COs	Project Total 939 COs
3	Net balance of savings (4+5+6+K.4)	Tk	429723	235640	49619	1301666	5099495	2178947	8219710	3330337	7808037	28653174
4	Savings balance in bank	Tk	194391	235640	49619	1301666	5074703	2178947	8219710	3330337	7808037	28393050
5	10% Security from Savings	Tk	0	0	0	0	0	0	0	0	0	0
6	Cash in hand	Tk	69742	0	0	0	6854	0	0	0	0	76596
C	Income of the CO:											
1	10 % on project loan interest	Tk	192356	311713	79299	475313	304190	152076	29739	0	0	1544686
2	2% on project loan Interest for CO	Tk	4744	112	62798	108899	44964	66729	18469	0	0	306715
3	For BDRF 1% on project loan interest		2216	56	0	43183	22516	33364	9235	0	0	110570
4	On Savings loan Interest (7.95% + 2%+1.95%)	Tk	23049	25142	21619	108903	521832	250669	832137	396337	593570	2773258
5	Demo fund & interest earned on Demo loan	Tk	28200	50000	116500	223783	336958	415645	1430330	942101	1328300	4871817
6	Manager honorarium (1.25%+3.15%)	Tk	9907	1834	6872	88931	192804	120474	275930	128061	182950	1007763
7	President honorarium (0.75%+1.95%)	Tk	6079	1134	4253	53964	118806	75396	171510	79042	113044	623228
8	Others earning (Bank Int. and leftover from different sources, i.e TW, LT etc.)	Tk	101408	8292	224215	194561	260924	259446	683417	139427	1175954	3047644
9	Total Income(1 to 8)	Tk	367959	398283	515556	1297537	1802994	1373799	3450767	1684968	3393818	14285681
D	Expenditure:											
1	10 % project loan interest	Tk	72121	311713	79299	475313	304190	152076	29739	0	0	1424451
2	BDRF 1% on project loan interest	Tk	796	56	0	43183	22516	33364	9235	0	0	109150
3	Manager honorarium (1.25%+3.15%)	Tk	8423	1834	6872	88931	192804	120474	275930	127005	182950	1005223
4	President honorarium (0.75%+1.95%)	Tk	5225	1134	4253	53964	118806	75396	171510	79798	113044	623130
5	Others		72815	0	159314	23040	178309	107109	300943	150863	233551	1225944
6	Total Expenditure (1 to 5)	Tk	159380	314737	249738	684431	816625	488419	787357	357666	529545	4387898
E	Net Income(C.9-D.6)	Tk	208579	83546	265818	613106	986369	885380	2663410	1327302	2864273	9897783
F	Distributable amount (Savings & Net income)	Tk	638302	319186	315437	1914772	6085864	3064327	10883120	4657639	10672310	38550957
G	Liabilities to member(adjusted)	Tk	260487	0	47500	0	106852	0	0	0	0	414839
H	Distributed amount	Tk	334615	315073	124907	1880920	5945592	3036615	10747902	4555763	10580529	37521916
I	Average distributed amount	Tk	1049	1297	867	1090	1697	1471	2169	1042	2126	1682
J	Rest amount in Bank	Tk	43200	4113	143030	33852	43520	27712	135218	101876	91861	624382
	Loans and other supports											
K	Loan from Savings											
1	Loan disbursed-cumulative	Tk	451000	308000	347000	1508000	5380500	2639500	9175000	4146500	6009000	29964500
2	Number of loanee	Number	84	42	60	270	1155	694	1969	1314	1360	6948
3	Realized	Tk	285410	308000	347000	1508000	5362562	2639500	9175000	4146500	6009000	29780972
4	Outstanding	Tk	165590	0	0	0	17938	0	0	0	0	183528

SI #	Parameters	Unit	July'11 to June'12									
			S.ganj Sadar Total 15 COs	South S.ganj Total 09 COs	B.pur Total 10 COs	J.ganj Total 79 COs	T.pur Total 140 COs	Derai Total 142 COs	D.bazar Total 191 COs	Sulla Total 169 COs	D.pasha Total 184 COs	Project Total 939 COs
5	IOD principal	Tk	0	0	0	0	0	0	0	0	0	0
6	IOD Interest	Tk	0	0	0	0	0	0	0	0	0	0
7	MOD principal	Tk	165590	0	0	0	17938	0	0	0	0	183528
8	MOD Interest	Tk	30780	0	0	0	1645	0	0	0	0	32425
9	Number of default loanees (IOD+MOD)	Number	37	0	0	0	8	0	0	0	0	45
L	Loan from project											
1	Loan disbursed - cumulative	Tk	2596000	2574000	2030000	5618000	2649500	2212000	532000	0	0	18211500
2	Number of loanee	Number	305	176	200	664	426	307	113	0	0	2191
3	Realized and paid to Bank	Tk	2596000	2574000	2030000	5618000	2649500	2212000	532000	0	0	18211500
4	Outstanding	Tk	0	0	0	0	0	0	0	0	0	0
5	IOD principal	Tk	0	0	0	0	0	0	0	0	0	0
6	IOD interest	Tk	0	0	0	0	0	0	0	0	0	0
7	MOD principal	Tk	0	0	0	0	0	0	0	0	0	0
8	MOD interest	Tk	0	0	0	0	0	0	0	0	0	0
M	Others											
1	Tube-well fund received & used	Tk	263831	153076	136700	889185	1876292	1200000	1864784	2036000	3120000	11539868
2	Latrine received	Tk	199500	108600	126500	895700	1895800	1132500	2499000	1920500	2226500	11004600
		Number	422	220	272	1835	3805	2265	4998	3829	4483	22129
3	Capacity building Training received	Number	58	27	50	174	695	170	849	432	661	3116

Table 21. Summary of Graduated COs as of June'12: (b)

SI #	Parameters	Unit	As of June'12									
			S.ganj Sadar Total 403 COs	South S.ganj Total 345 COs	B.pur Total 386 COs	J.ganj Total 355 COs	T.pur Total 325 COs	Derai Total 244 COs	D.bazar Total 216 COs	Sulla Total 215 COs	D.pasha Total 215 COs	Project Total 2704 COs
A	General Information											
1	Date of CO formation	Date										
2	Savings A/C number	Number										
3	Name of the Bank Branch	Name										
4	Location	Union										
5	Gender	M/F	F=231	F=199	F=278	F=273	F=265	F=177	F=165	F=134	F=200	F=1922
6	Date of Graduation	Date										
7	Number of member enrolled	Number	12264	10058	11640	10945	9455	5258	6497	6224	6353	78694
8	Number of existing member	Number	9309	8640	7923	7446	8191	4438	5560	5605	5758	62870
B	Members' Savings Status											
1	Savings accumulated	Tk	17362887	12649166	17096089	15460134	13346487	5694182	10456470	4634576	9844567	106544558
2	Savings withdrawn for drop-out CO member	Tk	3457670	1738181	6086041	5147302	1621133	687645	1104655	474943	536000	20853570
3	Net balance of savings (4+5+6+K.4)	Tk	13924932	10910985	11010048	10312832	11715254	5006537	9351815	4159633	9308567	85700603
4	Savings balance in bank	Tk	12987037	10910985	11005293	10312832	11690462	5006537	9351815	4159633	9308567	84733161
5	10% Security from Savings	Tk	0	0	0	0	0	0	0	0	0	0

SI #	Parameters	Unit	As of June'12									
			S.ganj Sadar Total 403 COs	South S.ganj Total 345 COs	B.pur Total 386 COs	J.ganj Total 355 COs	T.pur Total 325 COs	Derai Total 244 COs	D.bazar Total 216 COs	Sulla Total 215 COs	D.pasha Total 215 COs	Project Total 2704 COs
6	Cash in hand	Tk	281860	0	457	0	6854	0	0	0	0	289171
C	Income of the CO:											
1	10 % on project loan interest	Tk	4745199	3084988	2672292	2553401	1415623	493786	49119	0	0	15014408
2	2% on project loan Interest for CO	Tk	1269310	1087274	1006062	1118508	348886	224404	30661	0	0	5085105
3	For BDRF 1% on project loan interest		652848	549612	481574	552371	174930	112223	15348	0	0	2538906
4	On Savings loan Interest (7.95% + 2%+1.95%)	Tk	1245586	1235838	1877614	1619720	1429614	640895	971719	482592	749697	10253275
5	Demo fund & interest earned on Demo loan	Tk	3301128	2342168	3431575	2402762	2122434	1199225	1705090	1119951	1672965	19297298
6	Manager honorarium (1.25%+3.15%)	Tk	1208275	1062423	1082734	1203615	671642	343720	327545	155472	231622	6287048
7	President honorarium (0.75%+1.95%)	Tk	734189	649784	647941	732721	411866	211403	203337	96030	143795	3831066
8	Others earning (Bank Int. and leftover from different sources, i.e TW, LT etc.)	Tk	1574105	635508	2244741	1262971	845908	529259	754991	174630	1391082	9413195
9	Total Income(1 to 8)	Tk	14730640	10647595	13444533	11446069	7420903	3754915	4057810	2028675	4189161	71720301
D	Expenditure:											
1	10 % project loan interest	Tk	4650320	3084988	2672292	2553401	1415623	493786	49119	0	0	14919529
2	BDRF 1% on project loan interest	Tk	651428	549612	481574	552371	174930	112223	15348	0	0	2537486
3	Manager honorarium (1.25%+3.15%)	Tk	1209715	1062423	1082734	1203615	671642	343720	327545	154441	231622	6287457
4	President honorarium (0.75%+1.95%)	Tk	735088	649784	647941	732721	411866	211403	203337	96811	143795	3832740
5	Others		450393	281561	761996	50796	396832	217378	333450	175465	277166	2945037
6	Total Expenditure (1 to 5)	Tk	7696944	5627039	5646537	5092904	3070893	1378510	928799	426717	652583	30520926
E	Net Income(C.9-D.6)	Tk	7033696	5020556	7797996	6353165	4350010	2376405	3129011	1601958	3536578	41199375
F	Distributable amount (Savings & Net income)	Tk	20958628	15931541	18810164	16665997	16065264	7382942	12480826	5761591	12845145	126902098
G	Liabilities to member(adjusted)	Tk	1030060	217484	695267	0	156392	0	0	0	0	2099203
H	Distributed amount	Tk	19713919	15605048	17712530	16498143	15782498	7306806	12334126	5642789	12742963	123338822
I	Average distributed amount	Tk	2118	1806	2236	2216	1927	1646	2218	1007	2213	1962
J	Rest amount in Bank	Tk	214649	109009	402367	167854	136474	76136	146700	118802	102262	1474253
	Loans and other supports											
K	Loan from Savings											
1	Loan disbursed-cumulative	Tk	14605900	13108000	20365200	17309400	14767000	6800200	10585000	5025000	7586000	110151700
2	Number of loanee	Number	2409	1835	2766	2351	2942	1561	2311	1605	1746	19526
3	Realized	Tk	13949865	13108000	20360902	17309400	14749062	6800200	10585000	5025000	7586000	109473429
4	Outstanding	Tk	656035	0	4298	0	17938	0	0	0	0	678271
5	IOD principal	Tk	0	0	0	0	0	0	0	0	0	0
6	IOD Interest	Tk	0	0	0	0	0	0	0	0	0	0
7	MOD principal	Tk	656035	0	4298	0	17938	0	0	0	0	678271
8	MOD Interest	Tk	31010	0	2330	0	1645	0	0	0	0	34985
9	Number of default loanees (IOD+MOD)	Number	279	0	3	0	8	0	0	0	0	290

SI #	Parameters	Unit	As of June'12									
			S.ganj Sadar Total 403 COs	South S.ganj Total 345 COs	B.pur Total 386 COs	J.ganj Total 355 COs	T.pur Total 325 COs	Derai Total 244 COs	D.bazar Total 216 COs	Sulla Total 215 COs	D.pasha Total 215 COs	Project Total 2704 COs
L	Loan from project											
1	Loan disbursed - cumulative	Tk	58575800	41087000	37381000	36869000	15089500	7273500	865000	0	0	197140800
2	Number of loanee	Number	6153	4062	3921	4467	2379	1022	185	0	0	22189
3	Realized and paid to Bank	Tk	58575800	41087000	37381000	36869000	15089500	7273500	865000	0	0	197140800
4	Outstanding	Tk	0	0	0	0	0	0	0	0	0	0
5	IOD principal	Tk	0	0	0	0	0	0	0	0	0	0
6	IOD interest	Tk	0	0	0	0	0	0	0	0	0	0
7	MOD principal	Tk	0	0	0	0	0	0	0	0	0	0
8	MOD interest	Tk	0	0	0	0	0	0	0	0	0	0
M	Others											
1	Tube-well fund received & used	Tk	7294852	6788521	7361916	6187758	5332945	3141423	2249884	2806000	3740000	44903299
2	Latrine received	Tk	5204726	4523900	4941100	4636300	4395400	2421713	2826000	2411000	2685500	34045639
		Number	25050	9194	10111	9329	8906	4879	5652	4810	5398	83329
3	Capacity building Training received	Number	1998	1036	1709	816	1615	376	969	529	766	9814

Note: Date of graduation, as of declaration date of graduation

Findings, Recommendation and Management Response

4.9. 1 General information of Graduated CO:

Over the FY 2011-2012 in all Upazilas 1071 COs were targeted to declare graduated. Against that target the achievement is 939 (88%). Total graduation as of June'12 was 2704 COs.

Total members enrolled in the 2704 CO were 78,694 and at the time of graduation this stands at 62870. Over the time member drop-out was 20%.

4.9.2 Members' Savings Status:

Since inception the actual accumulation of savings of members was Tk. 10,65,44,558 and during graduation following withdrawn of some amounts by few members it was Tk. 2,08,53,570.

4.9.3 Income of the CO:

COs earned from loan interest from saving loan, project loan, and Demo loan was Tk. 7,17,20,301.

4.9.4. Expenditure:

Being 10% interest on project loan, 1% interest on project loan for bad debt reserve fund, 7.10% i.e. (1.25+3.15+0.75+1.95)% on payment to Managers and President from savings and project loan interest the expenditure stood at Tk. 3,05,20,926.

4.9.5 Net Income:

After meeting all expenditures the COs earned a net income of Tk. 4,11,99,375.

4.9.6 Distributable amount (Savings & Net Income):

Adding the members' savings with net income an amount of Tk. 12,69,02,098 stood as distributable amount.

4.9.7 Liabilities to member:

During final accounts auditors found some amount from loan, savings and others remained with a few member/leaders and it has been shown as liabilities to individual. After the adjustment of liabilities at all levels benefit was distributed to individual members. The total liability was of Tk. 20,99,203.

4.9.8 Distribution of benefit:

A total of Tk. 12,33,38,822 including savings and group benefit - has been distributed among 2704 COs. On an average it was Tk. 1,962 per member where average own savings was Tk. 1364. The benefit distributed to members based on their savings and age of the membership in group. The both savings amount and age counted on 50% equal weight and added that to the amount of benefit earned by an individual member.

4.9.10 Rest amount with group:

Every CO has left a lump sum amount with bank to keep their account active. The total amount being that stood around Tk. 14,74,253.

4.9.11 Supports provided by the project:

Project provided various supports to graduated CO since their formation. The members received training to build their capacity and skill, they got the scope of savings and loan amounting to Tk 11,01,51,700 from the savings, received credit Tk. 19,71,40,800 from project credit line, CO received technology demonstration fund which generated totally Tk.1,92,97,298, each CO got a tube-well and all members of CO got a set of ring-slab toilet.

Management Response:

The project is keen in making the graduation done in a systematic and transparent manner so that no liability lies on any member to CO and CO to bank. The process is not always smooth with all COs, but project has taken a case-by-case strategy to address issues to make the graduation done in time.

5. SHE Software Performance:

SHE is a newly introduced software system for CO data management. Objective is to ensure integrity in data management. Performance of SHE has been included in internal audit to understand whether CO data entry is being properly done in time ensuring due responsibilities.

SHE has been installed in all Upazilas and data entry has been completed by assigned staff. General information of all members and their family, major inputs received from CBRMP such as training, project loan, tube-well, latrine, demo,

individual members' savings and savings utilization are available in the software. It helps to make CO, Union, Upazila and district wise MIS reports. It has an opportunity to identify the members who are eligible to form LCS. On the base line survey information it gathers a details scenario of the project beneficiaries on various types of information like: members in poverty category- very poor, poor and marginal; members' age category- 19-35. 36-50. 51-60 and above 60; religion- Muslim, Hindu, Christian, Buddhist and others; marital status-married- single, widow, deserted, divorced; income range per month- below Tk. 600, Tk 601-1000, Tk 1001-2000 and above tk 2000 with wage employed and self employed status; land details categorized by homestead, agriculture, pond/ditch, cultivable of the own and lease land with holding area- <1 acre, 1-2 acre, above 2 acre; educational status of the members and their children; livestock status and house details of the member; etc. Now all information is available in the SHE software. It also generates various types of financial statements of CO, Union and Upazila, like: receive & payment, income & expenditure, balance sheet, purpose wise loan details, etc.

Recommendation:

SUPM will have to lead the whole process of SHE operation and monitor the progress of data entry day to day basis to sure that all information have imported in the software.

Management Response:

Project has made a plan to complete all data entry and closed the operation of SHE by graduating all COs of the Upazila.

6. General Conclusion:

The internal audit works as a very effective tool for CO performance management. The CO members as well the project get aware of the status of the overall financial performance of the CO, and can make the way to focus on the needs towards better management of CO.

Till now nine internal audits have been conducted and given much valuable learning to guide the project to support group for effective management.

The weakness of COs to reaching good governance has largely been overcome through implementation of recommendations of internal Audit.

However few areas particularly in updating records at CO are yet to regularize according to the recommendations of audit.

Timely graduation is subject to repayment of MOD in many cases. It is to be taken with more strategic manner. However the progress is quite satisfactory considering the context of reality.

SHE has gone into operation and all Upazilas made them up date by this time. Three Upazilas are being in practice to provide MF monitoring reports. SHE has many

scopes to bring better management of data and thereby may ensure good governance in CO management.

7. Lesson learned:

Meantime the project as well as the CO has gathered many lessons and those have given major learning for acquiring skill in better management of CO. The key learnings are as follows:

- ❖ The commitments of SO and CDF are highly deserved for ensuring better practices in CO management.
- ❖ CO members need to be more aware of asking and knowing the cash status of CO fund in group meeting.
- ❖ Rotation of leadership is must for good governance and group sustainability.
- ❖ In case of MOD case by case initiative along with peer group pressure including the local representative work very effectively to recover the due.
- ❖ Attention should be kept on recovering current instalment, so that it does not become overdue. It works as a lifeline to deal with overdue more organized and stronger manner.
- ❖ Follow-up after audit to settle all the audit objections is crucial to bring good financial management in CO.
- ❖ Internal audit is an effective tool to put the graduation process in progress.
- ❖ Graduating of CO is a unique process to set the COs to move on independently.

8. Project responses on internal audit findings:

- SO and CDF should be more attentive to the weak areas of CO leaders and giving close support as they can overcome those limitations (see audit findings 4.2, table 13, and findings 4.7, table 18). Some follow-up training both (formal and informal) are necessary for the CO leaders who lack the skill to perform their responsibilities competently, and that will be arranged.
- To make the weekly meeting effective, 90% member attendance is essential. COs until reach 90% attendance will not be considered for any types of project support.
- Savings deposit must be ensured by 100% and regularity in savings should be maintained following the rules of CO as mentioned in CO byelaws.
- Proper record keeping ensure the transparency in CO activities. To make the organization capable on keeping records concerned members will be trained and necessary follow-up to that will be ensured.

- The group as a whole should be aware about the problem of cash in hand. The leaders should be duly accountable to the rules set in this regards and SO and CDF should supervise the matter regularly (see audit findings 4.3, table 14). Cash in hand amounting above to Tk. 1200 is not acceptable in any circumstances. SO and CDF will be notified on their responsibilities regarding this issue.
- Loan money utilization and repayment are of great concern for effective management of credit portfolio of a CO. Proper and timely supervision should be ensured for better management for that. Any IOD should be brought under strict monitoring and proper recovery measures. (see audit findings 4.3, table 14 and findings 4.4, table 15). More attention will be given to recover loan of current instalment, as it does not become IOD with 2/3 installments.
- In case of MOD case by case initiative will be taken to ensure recovery. SUPMs will make the plan for that clustering the nature of defaults.
- PMU (CM/SSO along with who has been assigned for respective upazila) will come up with necessary plan and strategy to address the MOD issues besides aging.
- The CO Managers and Presidents who are yet to get their fee from interest earning will be given at the time of CO graduation and that will be followed according to a yearly plan of action.
- The variance in loan interest charge and financial statement should be rectified immediately and concern SO, CDF will check the COs accounts and other bank documents regularly as it does not happen in future (see audit finding 4.6, table 17).
- The deposited security money against the project loan should be credited in COs savings account without further delay. Concern SUPMs are being instructed to take necessary action in his regard (see finding 4.6, table 17).
- Following CO graduation (Finding 4.9, table-20 & 21, Sl.# C-3/D-2) account of the Bad Debt Reserve Fund should be reconciled with Upazila' BDRF records and Bank a/c.
- Graduation plan should be implemented according to the plan of action, and SUPM will closely monitor the progress for any priority decision to keep the process progress.
- SHE software will take under operation under a plan and with specific assignment of staff with adequate logistic support. SUPM should have to take the lead to keep the SHE update.
- A systematic initiative will be in place to settle all the audit objections and implement all the recommendations.

9. List of Auditors, Team Leaders and Auditable Upazila with Audit schedule:

Ref. No.: LGED/PD/SCBRMP/PMU/A-03/2003/65 , Date: 05/01/11

Table-22: List of Auditors, Team Leaders and Auditable Upazila with Audit schedule**(Date: 05.02.12 to 22.02.12):**

Team	Name, Designation & Place of Posting	Designation for Audit	CO Auditable Upazila & Date of Audit
Team-01 (Total 05 members)	Md.Nurul Amin, CM, PMU	Auditor & Team Leader	D.pasha Total= 50 COs Date: 05-08.02.12
	Bhudeb Roy, SSO, PMU	Auditor	
	Kazi Atiqur Rahman, SMS(SE), PMU	Auditor	
	Md. Rahamet Ali, CrO, Sadar	Auditor	
	Abdul Quader Jilane, SCO, PMU	Auditor	
Team-02 (Total 05 members)	Md.Nurul Amin, CM, PMU	Auditor & Team Leader	Derai Total= 50 COs Date: 12-15.02.12
	Bhudeb Roy, SSO, PMU	Auditor	
	Kazi Atiqur Rahman, SMS(SE), PMU	Auditor	
	Smritam Khasnabish, SMS(SE), PMU	Auditor	
	K M Wazed Ali, CrO B.pur	Auditor	
Team-03 (Total 05 members)	Bhudeb Roy, SSO, PMU	Auditor & Team Leader	D.bazar Total= 50 COs Date: 19-22.02.12
	Md.Nurul Amin, CM, PMU	Auditor	
	Kazi Atiqur Rahman, SMS(SE), PMU	Auditor	
	Humayan Kabir, CrO, South S.ganj	Auditor	
	Md Moin Uddin Chowdhury, OS, PMU	Auditor	
SHE software audit schedule: Data entry status	Kazi Atiqur Rahman, SMS(SE), PMU	Auditor	SHE audit at D.pasha on 08.02.12
	Kazi Atiqur Rahman, SMS(SE), PMU	Auditor	SHE audit at J.ganj on 09.02.12
	Md.Nurul Amin, CM, PMU	Auditor	SHE audit at Derai on 15.02.12
	Kazi Atiqur Rahman, SMS(SE)	Auditor	SHE audit at Sulla on 16.02.12
	K M Wazed Ali, CrO B.pur	Auditor	SHE audit at Taherpur on 16.02.12
	Bhudeb Roy, SSO, PMU	Auditor	SHE audit at D.bazar on 22.02.12
	Humayan Kabir, CrO, South S.ganj	Auditor	SHE audit at S.ganj Sadar on 16.02.12
	Md. Rahamet Ali, CrO, Sadar	Auditor	SHE audit at South S.ganj on 09.02.12
	Kazi Atiqur Rahman, SMS(SE)	Auditor	SHE audit at B.pur on 22.02.12
